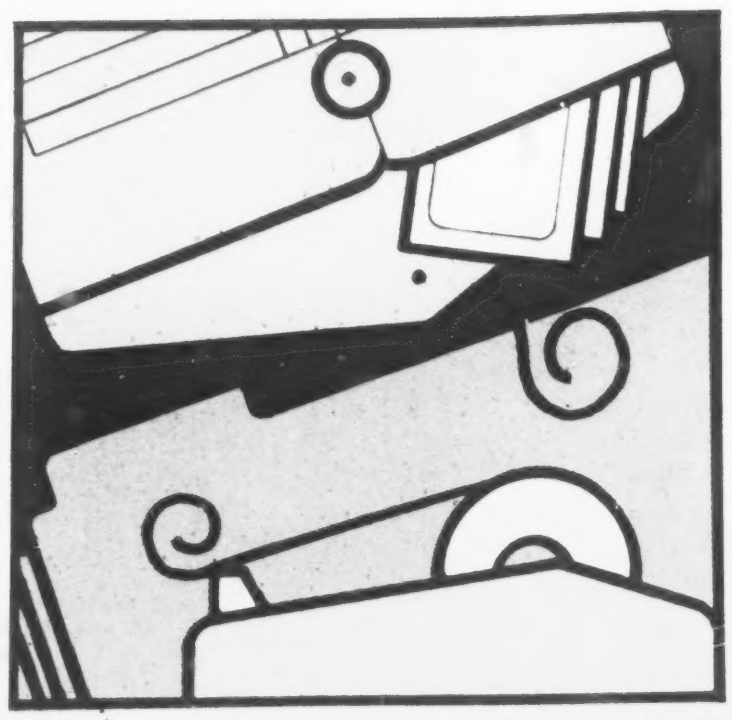


RETAILERS PREDICT LONG-TERM GROWTH

A new study reveals that chains plan to take advantage of the expanding opportunities in the home office supply category.

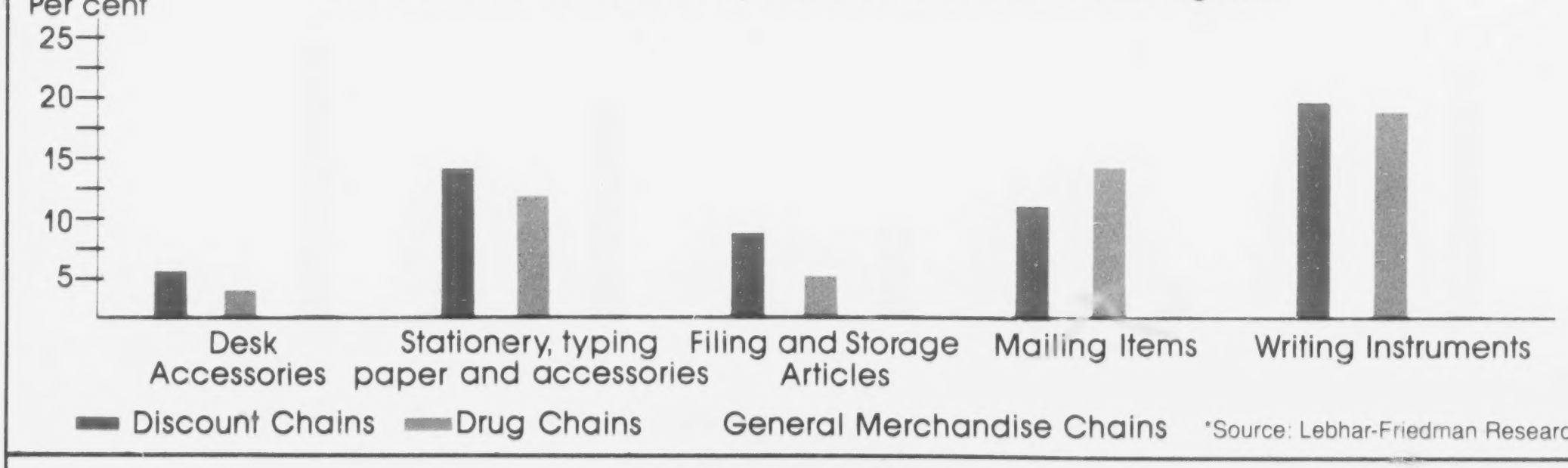
Drug and general merchandise chains have been quick to capitalize on the home office products market. They are upgrading their product lines in an attempt to reach the two main user groups—small businesses and the individual consumer.

A recent nationwide survey conducted by Lebhar-Friedman Research showed that home office buyers for the leading drug, discount and general merchandise chains are planning significant increases in a broad variety of categories including typing paper, typewriter accessories, filing and storage articles, desk accessories, personal planners, calendars and diaries and mailing items.

An overwhelming 71% of the buyers said they expect sales to increase in the home office category, particularly in paper products, typing paper and accessories, writing instruments and storage products.

Chains such as Venture, Target, Wal-Mart, SupeRx, Thrifty and Walgreens, which began expand-

Sales Volume Generated by Selected Home Office Categories



*Source: Lebhar-Friedman Research

ABOUT THE SURVEY

The findings from the Lebhar-Friedman survey were based on the responses from 86 home office supply buyers from the leading drug, discount, general merchandise and supermarket chains.

Qualified chains were selected from the top 100 in their respective classes of trade. The average chain represented in the survey operated 468 units and reported an annual dollar sales volume of $47 million.

RETAILERS PREDICT LONG-TERM GROWTH

ing and upgrading their departments several years ago are actively promoting them. "They are sending a message to consumers that they are the place to shop for stationery and home office products," one industry source says.

In the case of the California-based Thrifty Drugs, the expansion program is being conducted on a chainwide basis. In other instances, retailers are installing home office supply centers in test store locations that are frequently in close proximity to many small businesses.

But whether the departments are introduced chainwide or put in on a limited basis, retailers agree that the key to succeeding with home office departments is to make certain that the customer can find the product he occasionally purchases every time he walks into the store.

While there are certain times during the year such as tax season when demand for office supply products is greater than normal, home office products should not be considered seasonal. Indeed, according to L-F research findings, the only category carried "seasonally" with any degree of frequency is "personal planners, calendars and diaries." And even in that category a number of buyers indicated that they expected to carry those products on a more regular basis in the coming year.

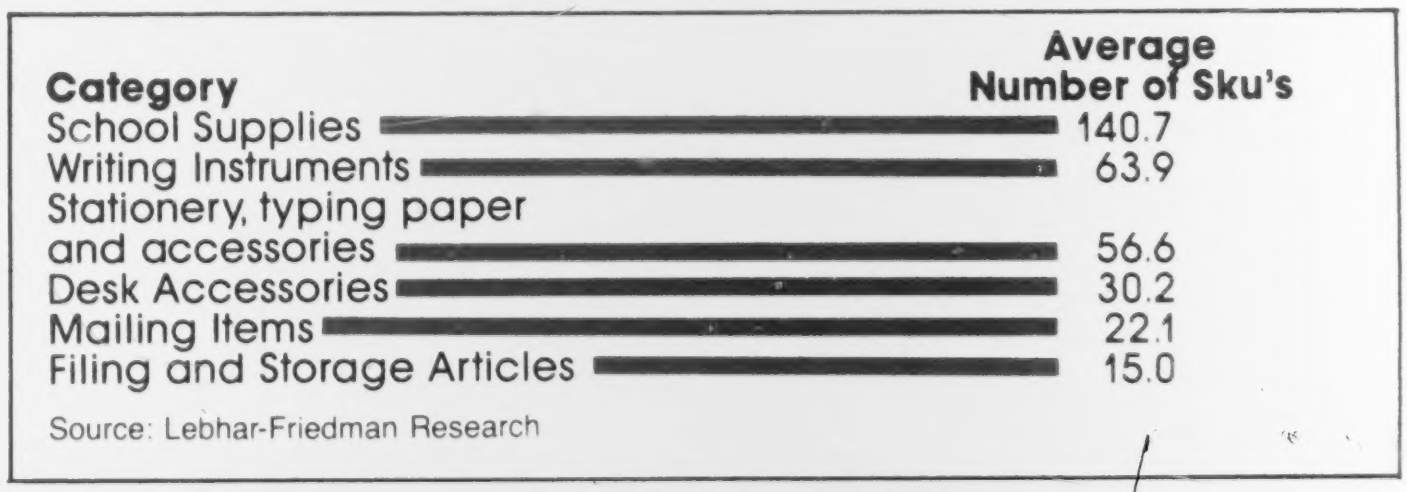
Generally, more than 50% of the home office buyers rated the profit margins and overall growth rate of the home office category as either "excellent or very good." Buyers from discount and drug chains were particularly positive in their ratings.

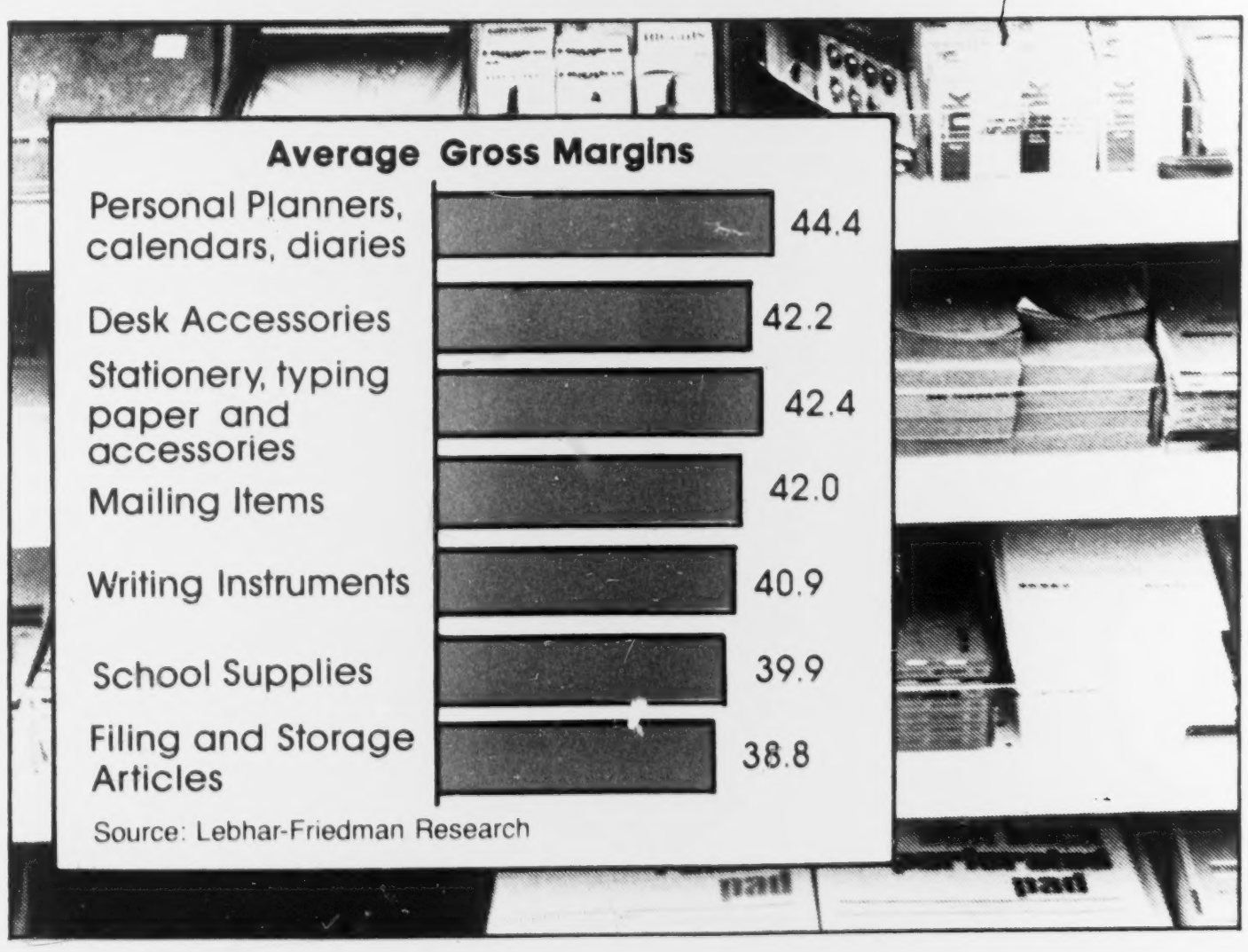
Seventy-six per cent of the drug buyers and 57% of the discount store buyers rated margins in the home office category as "excellent or very good." In addition, more than three-quarters of the discount buyers said the growth rate for products in the category are also "very good to excellent."

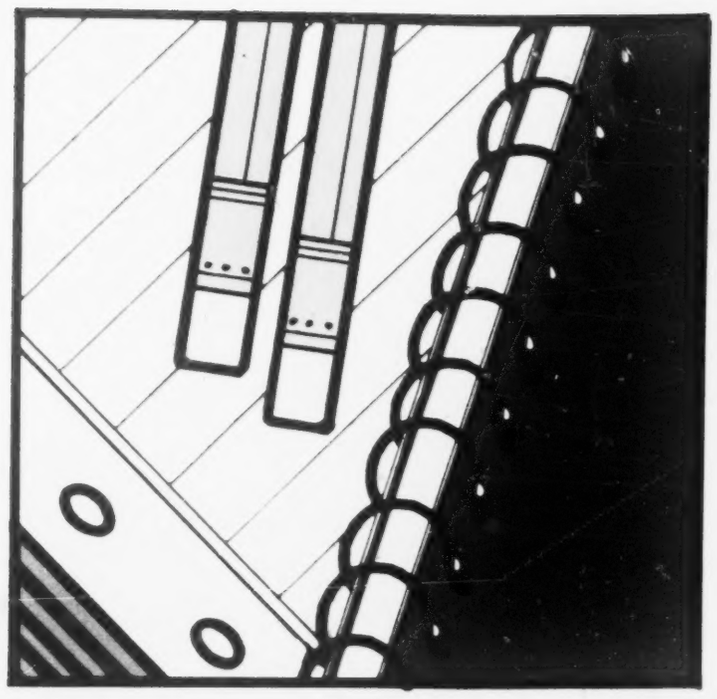
Among the specific product categories that generated the largest overall percentage of sales, the home office buyers frequently cited writing instruments, paper supplies and mailing items.

Not unlike greeting cards, home office supplies are generally considered impulse items by many drug, discount and general merchandise buyers. However, after several instances of a consumer purchasing a package of manila envelopes, legal pads or a box of index cards in his neighborhood mass merchandise outlet, a pattern of planned purchases is likely to develop, many retailers say.

The biggest advantage drug and general merchandise chains have over the traditional office supply store and stationery outlet is that the latter operates on a much higher markup. Consequently, many drug and general merchandise retailers believe they can exploit this market through competitive pricing.







YEAR-ROUND DEMAND STIMULATES SALES

Line extensions have enabled retailers to target school supplies by age group and satisfy the growing needs of the student population.

It used to be that school supplies were regarded as seasonal items in some drug and general merchandise outlets. But in addition to their obvious appeal during the August and September back to school period, school supplies are now steady sellers throughout the year.

Indeed, only 2% of the drug, discount and general merchandise buyers responding to the Lebhar-Friedman Research survey said they carry school items on a seasonal basis.

School supplies actually are the leading stationery sellers in most mass merchandise outlets. When measured collectively school supplies generate 37% of the stationery department sales in discount stores and 41% in drug stores. Moreover, 78% of the buyers said that they expect school supply sales to increase in the coming year.

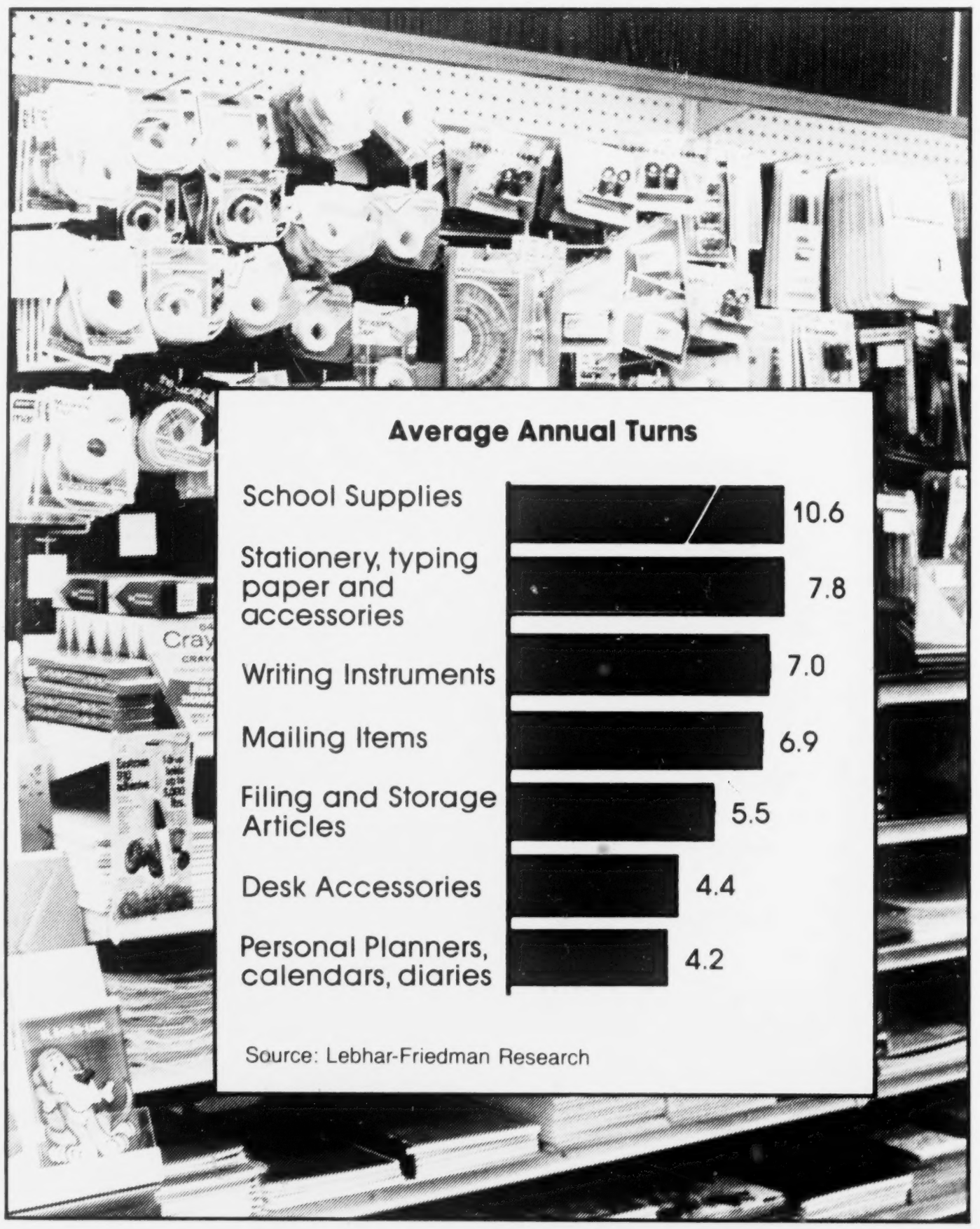
The projected increased demand for school supplies, a result of growing enrollments in day and night schools, has prompted many chains to increase their space allotments especially for ring binders, spiral notebooks, filler paper, pads and folders. In fact, according to the L-F survey, 42% of the buyers expect to provide more shelf space for school supplies during 1984.

While overall year-round sales of school supplies are up, the lucrative back to school period continues to be the driving force in the category. A new survey conducted jointly by *Chain Store Age General Merchandise Edition* and *Better Homes & Gardens* magazine revealed that the average consumer who purchased merchandise during the BTS period allocated approximately 12% of their total expenditures for stationery and school supplies. The only other categories where consumers spent more were apparel, shoes and text books.

In many cases buyers are reporting that they are extending some of their school supply lines. They cite the fact that students are interested in better quality merchandise.

Among the products that retailers are upgrading are portfolios, report covers and higher grades of writing tablets. The trend among students is toward more utilitarian and attractive school products that hold up under heavy use. Generally, these higher end products carry bigger profit margins.

Retailers are also targeting the younger age groups of students. Licensed character school supplies remain the strong sellers among the elementary school students. Even though these products can be risky retailers say the perennial favorites are consistent performers.



MERCHANDISER

Chains take back-to-basics approach in toys

Continued from page 11
board game in stock.

Owen Rees, assistant vp at Genovese, said popular items during Christmas included Care Bear dolls and Masters of the Universe characters.

Genovese for the most part stayed away from electronics, although a few items were carried in some stores.

Ribordy followed the conservative line, sticking to items under $10. "There are problems with items over $10," said Mark Paul, director of merchandising.

"For the expensive items, there are places like Toys "R" Us. They're the experts. We stayed with the basic items at the low end. We sell things like slinky," he said.

Paul said name brand items are "extremely difficult" to sell for less than $10, so the chain has turned to imports.

Ribordy's big winners included Colorforms products, Handicraft toy telephones and the Kenner Care Bears, although the knockoffs of the Care Bears failed to sell.

"I was disappointed with some of our plush," he added. The average toy section at new Ribordy stores is 84 ft., down 25% from the size one year ago.

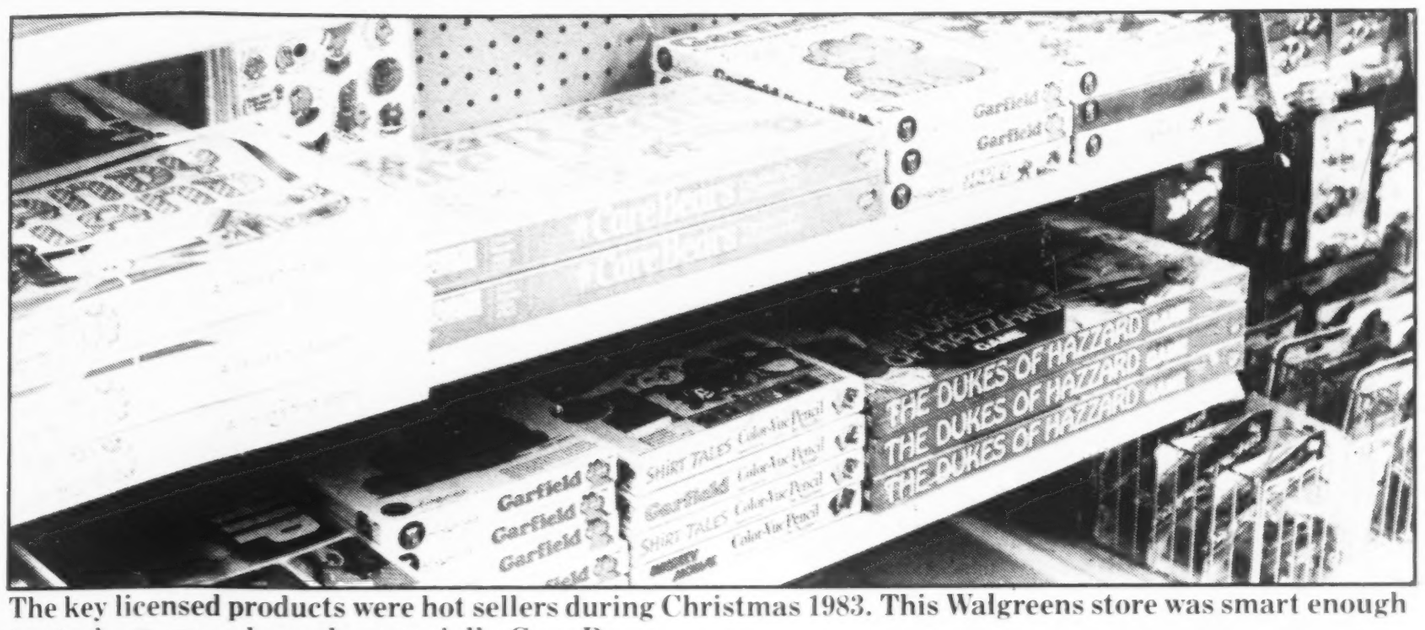
Not counting Pay 'n Save's electronic and computer merchandise in the camera departments, popular items included the Cabbage Patch Kids, Manglers, 4x4 Stompers trucks, Care Bears, Masters of the Universe characters and Shirttails products.

Two 56-ft. gondola runs that face each other make up the department.

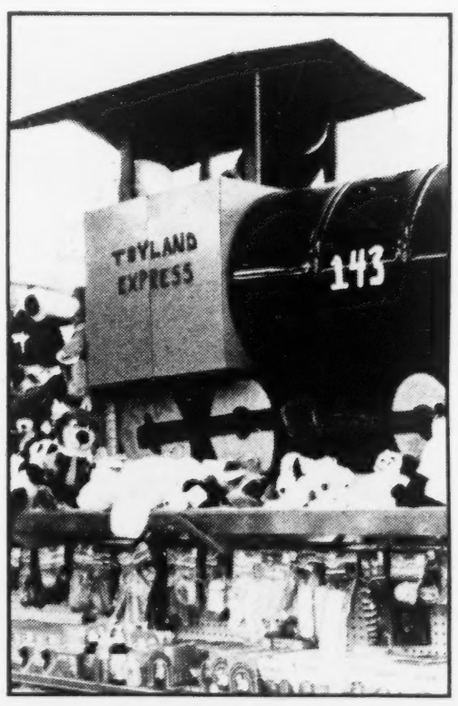
Kerr Drug relies on a jobber to stock its 56-ft. toy sections. Most stores include a 12-ft. section of pegged toys and a 4-ft. game section for games.

Bill Baxley, Kerr vp, said he watches the price points of the toys and tells the jobber to stick to low-end merchandise. "We're staying away from video," he said.

Two chains which have been able to move video items still see promise in the basic toys. Both Osco and Walgreens report excellent sales of the popular Lego Systems line. Lego, in fact, has formed a new department designed to expand distribution to channels of trade where the brand has not been available on a consistent basis. Also, Lego has been pegging and racking its goods to make merchandising easier for the chain drug store operator.



The key licensed products were hot sellers during Christmas 1983. This Walgreens store was smart enough to stock up on such goods, especially Care Bears.



Although plush items sales have softened for most chains, this West Coast retailer built a display that enticed shoppers to buy a furry bear.

Correction

The name of two jewelry manufacturers were incorrectly spelled on p. 41 of the Jan. 23 issue of *Drug Store News*. The story, "Jewelry sales soar," should have read R. N. Koch and Marle Creations.

A funny thing happened on the way to the checkstand.

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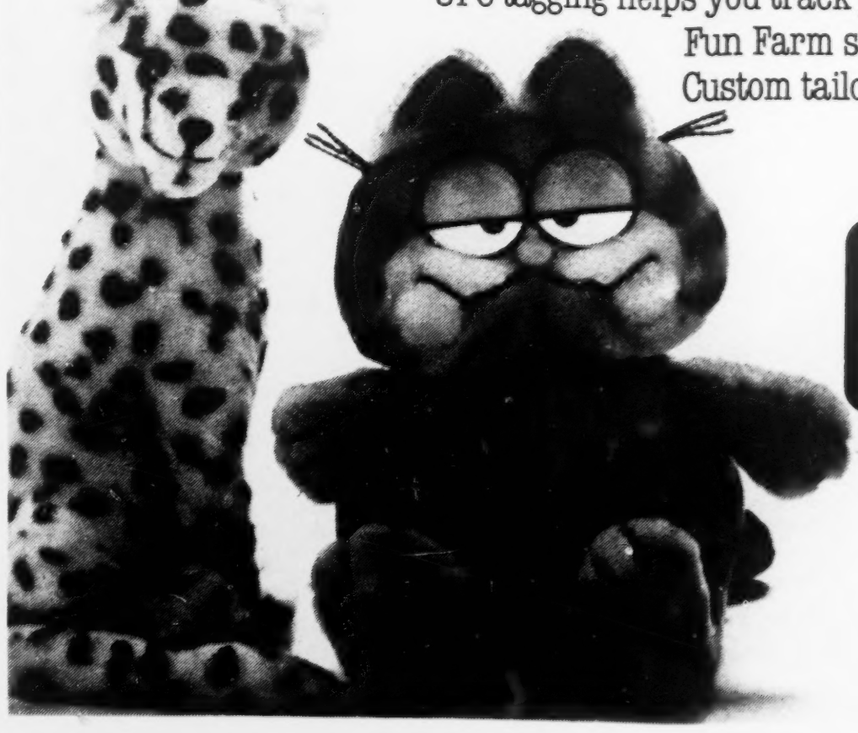

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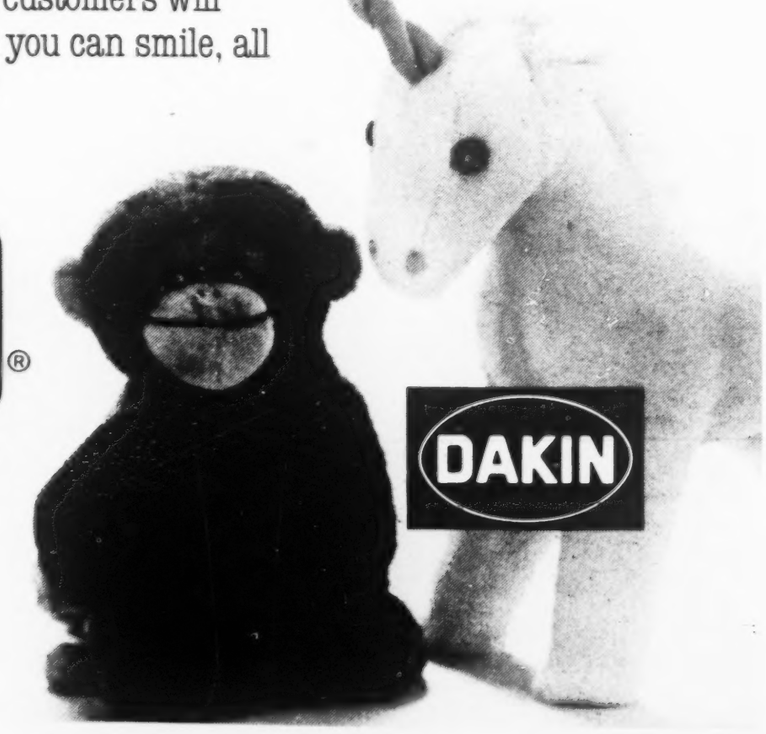


• Special report: the promise of bioengineered drugs—p. 71

PHARMACY Rx

Thrifty's quest: a profitable Rx dept.

LOS ANGELES—Thrifty Corp., which realized a profit growth of better than 25% in fiscal 1983 and the first quarter of '84, is making a concerted drive to bring its unprofitable pharmacy department into the black.

A big part of the effort will focus on increasing pharmacists' productivity through a phased rollout of pharmacy computer terminals.

The attempt to restore profitability is a key element in the strategic plans of the chain, which operates almost 540 Thrifty Drug and Discount Stores in nine Western states, because prescriptions account for 10% of volume.

Four years ago, Leonard Straus, Thrifty chairman, said that in fiscal 1979 the company's prescription department "made money for the first time in its history."

But Thrifty failed to sustain the pace and dropped back into the red. "We are now getting close to breaking even because of improvements during the past three years," Richard Eils, president, told *Drug Store News*.

Thrifty had high hopes of permanently turning the pharmacy department around when it hired Dominic Cavallo, former director of professional affairs for Longs, in October 1977 and named him senior vp-director of store operations.

Cavallo's first priority was pharmacy. Said Straus: "Cavallo restructured our pricing program so that we were lower priced than Sav-On. Before that we were not as competitive—some of our prices were too high, some too low."

One of Cavallo's first moves was to try to extend pharmacy hours in interim steps. The first step was to keep the pharmacy open during the lunch hour, Monday through Friday, and pay the pharmacist one hour overtime at time-and-a-half.

Continued on page 58

The SmithKline Dialogues in Pharmacy Conference was held recently in Longboat Key, Fla. Shown here are workshop leaders (clockwise from left) Royce Friesen, pharmacy owner; Sidney Allen Rosenbluth, dean of West Virginia College of Pharmacy; John Boyle, SmithKline; William Tindall (standing), writer, NARD Journal; John Zatti, state association exec., Jordan D. Johnson Jr., SmithKline, and Jere Goyan (back to camera), dean of the University of California School of Pharmacy. Story page 70.

'83 script sales soar, but margins remain stagnant

PHOENIX—Price gains coupled with growth in scripts produced near-record retail dollar sales growth for the nation's pharmacy departments, up 16% during 1983, but the growth had no effect on retailers' margins.

Numbers of prescriptions dispensed by retail pharmacists rose 2% over 1982, a gain of 33 million on annual volume of 1.5 billion prescriptions.

Dollar sales volume posted significant gains as the retail price indicators advanced 14 points over January 1983 levels. The index of retail prices for prescriptions surged almost 40 points over the level of 109.1 recorded in January 1981.

By December 1983, the same price index had grown to 148.4, according to Pharmaceutical Data Services, a supplier of pharmaceutical marketing information based here.

Price gains traced to expensive new drugs and price increases by manufacturers. The price gains and the growth in scripts helped retailers have a banner year, at least with respect to sales.

A number of products among the leading brands dispensed through pharmacies contributed to these sales gains. Leading items such as Tagamet, Feldene, Naprosyn, Clinoril, Tenormin, Procardia and Zantac showed dollar volume advances.

But despite being market leaders, these higher priced products didn't yield huge returns to pharmacy departments. According to recently audited information which will appear in the *1984 Reference for Pharmacy Practice*, competition and third-party fixed fees have kept a lid on what these drugs return to retailers.

Retail margins for many of these maintenance drugs range from 15% to 20% for an average script.

And for costly medications, that means pharmacies must tie

Continued on page 58

New drug approvals dropped 50% last year

ROCKVILLE, Md.—The number of "totally new" drugs approved by the Food and Drug Administration dropped by 50% last year despite pledges by the Reagan Administration to "streamline" Government reviews of important new pharmaceuticals.

During calendar year 1983 F.D.A. granted marketing approval for only 14 "new molecular entities"—down from 28 NME's approved by the agency in 1982, and 27 such approvals in 1981.

Moreover, of the 14 totally new drug products cleared by the agency last year, nine are categorized as providing little or no therapeutic advantage over other pharmaceuticals already on the market, F.D.A. officials confirmed.

The abrupt decline in NME's approved by F.D.A. during 1983 reverses a distinct upward trend in new drug approvals over the past two years and casts doubt on claims by Reagan Administration health officials that their efforts to "reform" Government drug review practices are beginning to pay off.

Two years ago then-Health and Human Services Secretary Richard Schweiker credited the sudden (1981) upsurge in NME approvals to a series of "significant steps" taken by the Administration to enable "beneficial new drugs to reach those who need them faster."

As a result of the "leadership" of Reagan Administration F.D.A. appointees, he said, Government approval of NMC's during 1981 reached its highest level since passage of the 1962 Federal drug law amendments, and more than doubled the output (12 NME's) of the last year of the Carter Administration (1980).

"We promised the American people we would reform the drug approval process, and last year marked a long step toward that goal," Schweiker said in 1981. "Speeding the review of lifesaving new drugs will allow the public to benefit from medical advances without needless delay."

Among the specific steps cited by Schweiker to accelerate the drug approval process: a series of "new management initiatives" to "enhance accountability for moving [NDA] ap-

Continued on page 58

Marketplace pricing: one solution to dwindling margins

BENCHMARKS

By Joseph Caputo, R.Ph.
Pharmaceutical Editor

The facts are in, and 1983 goes into the record books as another banner year for nation's pharmacy departments. Total scripts dispensed rose 2% while script prices surged 14 points over January 1983 levels.

Expensive new drugs, price increases by manufacturers and greater quantities of dosage units per script account for a large percentage of the price gains.

Price advances combined with the growth in total scripts yielded a bountiful harvest of sales dollars for retail pharmacy departments.

But despite this promising performance, storm clouds may be gathering on the horizon: Pharmacists from both chain and independent community drug store settings say margins in their pharmacy departments are shrinking.

So in spite of impressive sales growth, margin dollars (the money used to pay expenses) are on a downward trend. And lowered margins cut into retailers' return on investment in inventory.

The culprit creating all the problems are fixed dispensing fees and the "lower of" provision written into many third-party prescription contracts.

This problem really becomes acute when expensive medications are dispensed, and it's important to remember that an increasing mix of drugs on pharmacists' shelves are categorized as expensive.

Third-party administrators typically lock pharmacists to low fees that are not regularly updated. So as expenses climb pharmacists have no way to recoup their inventory investment except one: They can charge their private pay patients more for the same drugs which are dispensed at lower prices to patients enrolled in third-party programs.

If this price shifting doesn't work another dilemma is created: Pharmacists can either walk away from participating in third-party programs (and face a loss of store traffic which accompanies these plans), or accept low returns from what was and should be the premier department in the store.

A number of solutions could get pharmacists out of the corner they are painted into. One answer may be a return to marketplace pricing. Another solution centers on separating the distributive function from other services that pharmacy is capable of providing, and setting separate remuneration rates for the different functions. A third solution focuses on elimination of the "lower of" provision

In an economy that hinges on return on investment, the degree to which market place pricing is accepted may determine the number of pharmacy departments and scope of pharmacy practice in the future.

Unfortunately it appears neither pharmacists nor consumers will have a say in the matter. The parties welding the greatest clout presently are state government officials, insurance company administrators and personnel officers in large corporations.

These are the power blocks which may set the scope of pharmacy practice in the future—and have been setting it for the past several years.

PHARMACY

Thrifty eyes profitable pharmacy department

Continued from page 57

The next step was to double-shift on a store-by-store basis. But the question that had to be answered first was: Does volume justify a second shift? That brought back the age-old chicken-or-egg dilemma: Do you extend hours *after* volume justifies, or do you *first* extend the hours in order to get the volume?

Thrifty opted for getting the volume first—and that's where the program snagged. As a result, a large number of stores are still on single shift: 10 a.m. to 7 p.m., closed on Sunday.

A few select stores have longer pharmacy hours, such as the headquarters store (8 a.m. to 11:30 p.m., Monday through Saturday and 10 a.m. to 11:30 p.m. on Sunday). Another is the Third and Vermont unit where pharmacy is open 8 a.m. to midnight.

However, the headquarters store is open from 6 a.m. to midnight, and Third and Vermont, 6 a.m. to 2 a.m. This follows the Thrifty pattern of not keeping the pharmacy open all the hours that the store is open—unlike Thrifty's competitors.

By maintaining tight control over payroll—and often eliminating clerks in pharmacy—Thrifty had problems with customer service. Customers have told *Drug Store News* that they frequently wait an hour before their prescriptions are ready.

Still, Straus attributes much of pharmacy's plight to the high wages/benefits provided in the union contract. "We pay our pharmacists the very highest wage-benefits in the nation," he said. "If we were nonunion, we could increase our profit margins 2% to 3%."

Retail margins for selected drugs

Leading Products	Avg. retail price/Rx	Avg. retail price/dose	% retailer margin/Rx
Tagamet 300mg	$24.73	$0.34	13
Feldene 20mg	31.45	1.12	13
Naprosyn 375mg	26.98	0.60	17
Clinoril 200mg	30.16	0.58	13
Tenormin 50mg	19.44	0.41	21
Procardia 10mg	24.98	0.26	16
Zantac 150mg	34.95	0.85	14

Source: *Drug Store News Reference for Pharmacy Practice*

Script sales soar, margins stagnant

Continued from page 57

up increasing amounts of capital on their shelves in the form of inventory. Since an average of 20% to 30% of all scripts dispensed are for patients enrolled in third-party insurance plans, it means pharmacy departments are locked into slow changing fees that range between $2.75 and $3.50 per script. "Lower of" provisions written into many contracts also produce a negative impact on retailers' margins.

Pharmacists from a variety of practice settings complain about the situation, but with limited or no success to date.

Retailers from associations representing drug chains and independent community pharmacies said a return to market place pricing (usual and customary pricing) would provide some relief from the constraints of fixed fees established by third-party administrators.

Fixed fees refer to constant dollar charges, i.e., $2.95 which is added to any script's cost of ingredients (regardless of the cost of goods). The overall retail price is usually quite low for costly new pharmaceuticals, which puts a crimp on retailers' return on investment in inventory.

Retailers say that despite hefty sales increases, their return on investment is shrinking for the pharmacy department because margins are declining.

New drug O.K.'s drop

Continued from page 57

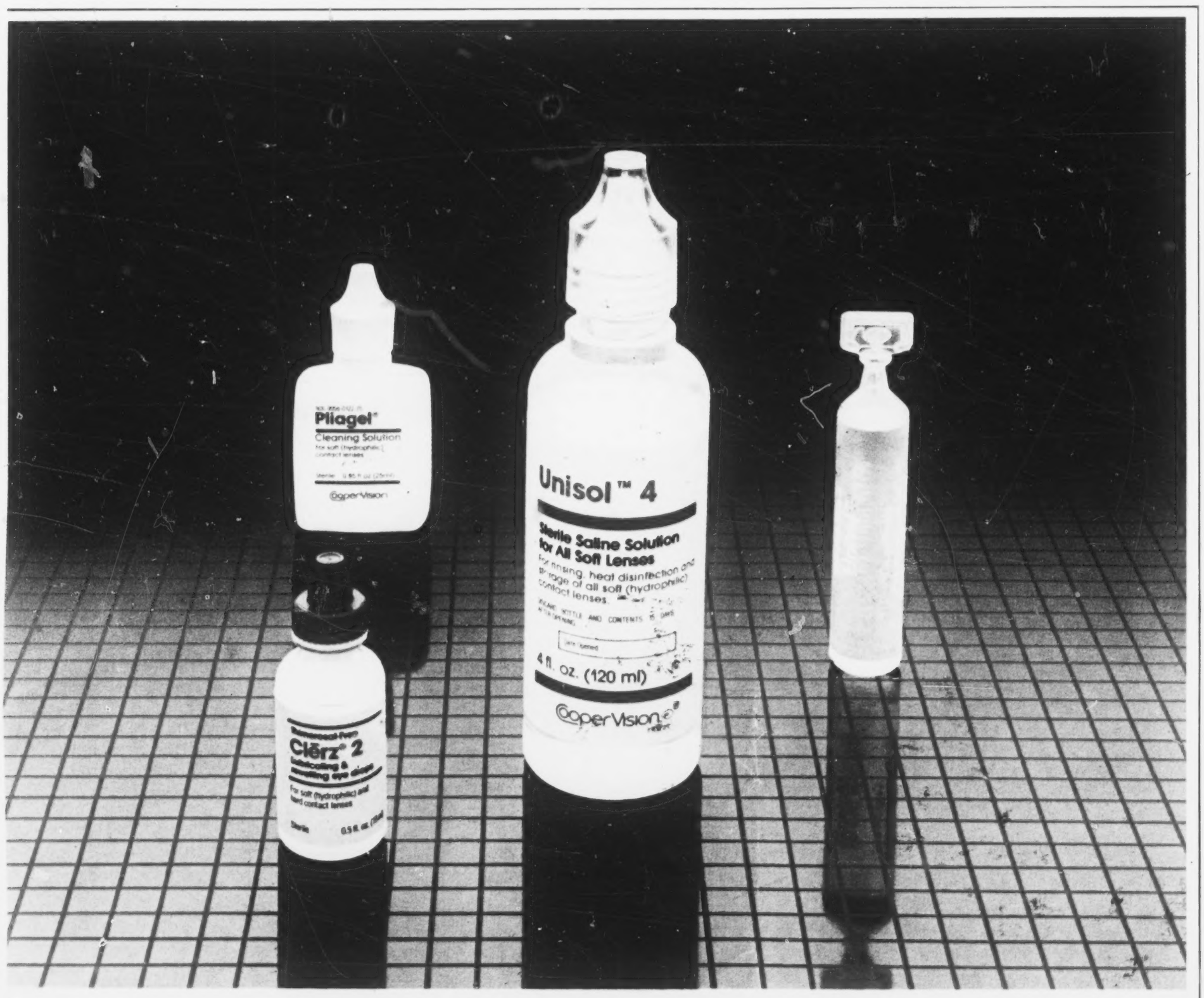
plications through the agency," use F.D.A. personnel "more flexibly to accommodate uneven workloads," and "promote more timely communication with drug sponsors during the review process."

The Administration's most ambitious effort to streamline the drug approval process—a stem-to-stern "rewrite" of F.D.A.'s New Drug Application system—is still in the planning stages, however.

That plan, prepared by a "special departmental task force" chaired by former F.D.A. Commissioner Arthur Hull Hayes, calls for:

- Cutting the paperwork obligations of new drug sponsors 70% by allowing many manufacturers to supply F.D.A. with "summary tabulations" of individuals participating in clinical drug studies rather than case-by-case reports on each participant.
- Streamlining the format of NDA submissions so that each F.D.A. reviewer would not have to "wade through *all* the data [in the application] in order to review his or her own."
- Improving F.D.A. communications with drug manufacturers to resolve NDA disagreements more quickly and avoid common "deficiencies".
- Establishing a new series of internal deadlines for F.D.A. action on NDAs.

A final version of F.D.A.'s proposed n ew "NDA rewrite" is scheduled to be released next month.



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PHARMACY
Revco to test video info system—p. 11

STORE BRAND
Special report on store brands—pp. 21-33

DRUG STORE NEWS

Vol. 6 No. 5 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | March 5, 1984

"For me the strong plus is that Dart is still the No. 1 drug chain in the Washington, D.C., market."

Al Towle
Dart president-elect

Towle appointed head of Dart's drug division

By Bruce Buckley

LANDOVER, Md.—Alvin Towle, former president and general manager of Gray Drug Fair, has been named president of the 73-store retail drug division of Dart Drug.

Towle, 46, will assume the new post on March 1.

He told *Drug Store News* that the "strong plus" in his move was that Dart "is still the No. 1 drug chain in the Washington, D.C. market, and they have a foothold in Richmond."

The appointment of Towle will relieve pressure on a top management team that has been stretched thin by an aggressive diversification into discount retail book and auto parts outlets.

"It's a good move for them" he said, "and it's a good move for me."

With Towle at the helm of the drug store division, Dart should be able to resolve some of the problems that have afflicted the chain in recent years, including persistent out-of-stock conditions, particularly on ad merchandise.

According to one long-time observer of the D.C. drug store scene, Dart's out-of-stock problems are at least as bad as those of Drug Fair, which has lost heavily to other competitors in that $800 million drug store market, including Peoples, Giant and Dart.

In Towle's view, Dart's big strength in this highly competitive market has been its ability to maintain the low-price image, an image that dates back to the 50's, when Herbert Haft, now chairman, launched his first small discount drug stores in downtown Washington.

"It's a real strong image," Towle said, "and we'll keep blasting away at it."

Towle's task at Dart should not be nearly as difficult as the one he faced at Gray Drug Fair when he became president in January 1982. There, his job was to revive an ailing chain that stretched from Ohio to

Continued on page 49

2 vendors refuse to supply Northwestern

By Lou Karney

SEATTLE—Pay 'n Save on paper has acquired a wholesaling company, Northwestern Drug. But the ability of Pay 'n Save to continue to operate Northwestern as effectively as wholesalers is slowly coming into question.

Two of the country's leading pharmaceutical manufacturers, Smith Kline & French and Eli Lilly have announced they will not continue to supply Northwestern with their pharmaceutical products because the former wholesaler is now owned by a chain.

Smith Kline, which has notified Pay 'n Save that it will terminate its wholesale distribution agreement as of March 31 of this year, says its policy "precluded our selling to a wholesale distributor that is owned by a retail pharmacy or chain."

A Lilly representative told *Drug Store News* that "our policy is not to sell to wholesalers who own or who are owned by or are even in common ownership with drug chains. We foresee no reason to deviate from this policy."

At least 18 major manufacturers have such policies and if others follow the Smith Kline/Lilly lead, the impact on Northwestern's source of supply could be devastating.

The loss of Smith Kline and Lilly alone cuts Northwestern off from direct access to drugs which account for at least 10% of all scripts dispensed. According to Decision Data Services, Smith Kline accounts for 5% of the top 500 prescription products while Lilly accounts for 5.3%. Affected are such popular drugs as Tagamet, Dyazide, Darvocet-N and Keflex.

Cal Hendricks, vice chairman of Pay 'n Save, reacted to the news by promising "to get the products from other sources."

Sources close to Northwestern say this means the firm will buy SKF and Lilly products from another wholesaler. But to stay competitive, it will invoice its retail customers at the same price it has always charged. In other words, it will eat the difference.

Continued on page 50

Pharmaceutical manufacturers who refuse to sell chains direct

1. Boehringer Ingelheim Ltd.
2. Boots Pharmaceuticals Inc.
3. Breon Labs
4. Burroughs Wellcome Co.
5. Dista Products
6. Du Pont Pharmaceuticals
7. Geigy Pharmaceuticals
8. Glaxo Inc.
9. Eli Lilly
10. Mead Johnson
11. Norwich-Eaton
12. Purepac Pharmaceutical
13. A. H. Robins
14. Roche Labs
15. Sandoz Pharmaceuticals
16. Searle Labs
17. SmithKline & French Laboratories
18. Syntex Labs

Walgreens doubles electronic ad budget

DEERFIELD, Ill.—Walgreens has doubled its 1984 electronic media advertising budget, and the bulk of those dollars will be used to promote the chain's Intercom pharmacy computer system and its services.

"Nineteen eighty-four marks our boldest step to date into electronic [radio and TV] media usage," said Fred F. Canning, president of the drug division.

Because Walgreens has such a strong presence in its major markets, TV and radio advertising has become an efficient and economical way of reaching customers.

The aggressive ad campaign consists of a series of ads informing customers of the benefits of the pharmacy computer system. The ads include a spot on 24-hour pharmacies (shown in the five markets where Walgreens has all-night units), an ad about Walgreens' Medical Information Card and one about how Walgreens can transfer scripts from one store to another (where state law allows).

The commercials vary by market, but are shown on an in-and-out basis in 17 Walgreens trade areas and on a continuous basis in eight markets. A photofinishing ad is also featured in all of the markets.

The 30-second spots are shown on all stations (affiliates and some independents) during

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Late News

PEOPLES DRUG STORES reported a 24% increase in earnings and a 13.2% gain in sales for the first quarter ended Jan. 31. Net profits for the quarter rose to $6.4 million, or 83¢ a share, from $5.2 million, or 69¢ a share, in the year-earlier period. Sales were $281.6 million. The chains net-to-sales ratio for the period increased to 2.3% from 2.1% for the corresponding period last year.

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Roth named president of Carls

ROME, N.Y.—Neil S. Roth, former assistant vp of purchasing at Revco D.S., has been named by the Pneumo Corp. to head up its 36-store Carls Drug chain, headquartered here.

Roth's appointment as president, which became effective Feb. 13, culminated a three-month search by the Boston-based Pneumo to find a successor to Larry Padgett. Padgett, who resigned his post as president in November of last year, has since become president of the specialty retail division at Fay's Drug.

The 33-year-old Roth brings to Carls more than 10 years of retail drug experience at three major drug chains. Prior to joining Revco in February 1983, he was a regional merchandise director for the Jack Eckerd Corporation.

From 1974 to 1979 Roth was with the Rite Aid Corporation and during the course of his employment was a buyer for the health and beauty aids, soft goods and candy categories. Roth, a 1973 graduate of Queens College in New York City, also worked briefly with Pathmark Supermarkets.

Roth inherits a drug chain that according to Pneumo is primed for expansion. The diversified food and drug and aerospace concern has made public its plans to add more than five stores a year over the next four years.

When Pneumo acquired Carls Drug in 1980, it embarked on a major remodeling and remerchandising program for the upper New York State chain. With the program completed, Pneumo is now setting its sights on expansion.

FINANCIAL

Begley reports earnings, sales up for 3rd quarter

RICHMOND, Ky.—Begley Drug Company reported that net earnings for the third quarter ended Dec. 31 increased 23.5% to $568,844 from $460,652 for the same previous-year period. Earnings per share were $1.30 compared to 84¢.

Sales for the quarter rose to $17.6 million, up 10.7% from year-earlier sales of $15.9 million.

For the first nine months of the fiscal year, net earnings fell slightly to $725,637, $1.32 per share, from $728,884, or $1.33 per share, in the comparable period the year before.

Nine-month sales reached a record $46.5 million.

During the quarter, the company acquired a group of five dry cleaning stores.

Begley Drug operates 45 retail drug outlets in Kentucky as well as 110 dry cleaners in eight states. In addition there are four convalescent aids and home health care centers in Kentucky. Subsidiary operations include B&B Equipment and Supply, a distributor of dry cleaning equipment and supplies and CMC, a manufacturer of drive-in windows.

Drug Systems net up

MILWAUKEE—Drug Systems Inc. reported that net earnings for the quarter ended Jan. 7 increased to $954,000 from $299,000 in the corresponding year-earlier period. Sales for the quarter rose to $27.5 million from $9.7 million.

Year-end profits rise 80%

SupeRx boosts Kroger Co.

CINCINNATI—SupeRx drug stores contributed strong performance to the "disappointing" overall operating results of the Kroger Company, according to the parent company's report on 1983 sales and earnings.

SupeRx' operating profits for the year ended Jan. 31 reached $27.2 million, 80% higher than the $15.2 million earned the previous year.

Sales for the drug store division increased 10.2% to $789.6 million from $716.4 million.

As a result of the strong earnings growth, SupeRx' ratio of operating profits to sales increased by a substantial 1.3 percentage points to 3.4%.

Kroger said that its drug store chain, which closed out the year with 606 units, is expected to increase its contribution to Kroger's operating results in 1984.

For the company as a whole, 1983 sales increased 3.2% to $15.2 billion from $14.8 billion the previous year. Excluding the sales from 75 southern California stores, disposed of in 1982, the sales increase was 5.8%.

But Kroger's net earnings for the year declined 33.9% to $127.1 million from $192.1 million, while earnings per share fell 31.9% to $2.76 from $4.05.

"The year 1983 was a disappointing one for our company," said Kroger chairman Lyle Everingham. "Some portions of the company, notably Dillon, produced better than anticipated results. But more aggressive competition in several key Kroger markets, sluggish economic recovery throughout much of our trade area, and higher costs all had a profit-draining effect.

Walgreens sales rise

DEERFIELD, Ill.—Walgreen Co. announced January sales of $211 million, an increase of 17.7% over the $179 million registered for the same month in 1983.

Charles R. Walgreen III attributed the increase to "strong pharmacy performance, favorable consumer response to promotional activity and good movement of health and beauty aids and winter seasonal items."

Rite Aid alone gains in bear market decline

Name	Symbol	STOCK PRICE 1/27/83-2/13/84 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Change Pct.	5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Yield	Last X-Dvd Date	FINANCIAL POSITION Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity	Last Balance Sheet Date
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil	—	$	$	—
Chain Store transactions																											
Adams Drug	ADG	15.25	12.75	12.75	-2.50	-16.39	24.88	9.25	-1.07	-1.35	44	-3.52	1.12	39 N	42.8	17.0	1.6	9.8	.04	3	12-09-83	286.2	4.6	2.8	8.00	9.74	1282
Am Stores	ASC	33.63	30.75	32.13	-1.25	-3.75	44.00	23.47	-.66	.08	.64	-7.47	2.59	87 N	35.2	44.0	1.2	9.6	.48	1.5	12-09-83	7507.8	90.4	1.4	11.95	12.14	0183
Begley Drug	BGLY	16.50	16.25	16.25	-.25	-1.52	24.00	12.50	.21	.51	3.87	59.52	1.47	1.46 N	NC	-10.0	1.4	11.1	.68	4.2	01-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.38	10.63	10.75	-.63	-5.49	14.50	7.25	-.47	.16	-1.74	-49.28	.39	.12 N	34.2	25.0	2.9	22.9	.00	0	09-21-83	87.4	2.5	2.5	.21	3.36	1282
Dart Drug Corp	DRUGA	65.00	58.00	58.00	-7.00	-10.77	148.00	32.25	.02	-1.44	.43	-5.85	5.43	6.32 N	207.2	67.0	3.1	6.2	.13	2	12-06-83	291.8	9.1	2.0	12.01	28.91	0183
Drug Sys	DRGS	6.75	5.25	5.25	-1.38	-20.75	9.31	5.25	-.65	-3.74	-.69	25.71	.55	.65 N	NC	NC	2.6	8.1	.00	0	01-25-84	26.7	.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	26.00	23.88	24.13	-1.88	-7.21	34.88	23.63	-.04	-.21	-3.27	-21.34	1.91	1.6 Q	8.8	4.0	3.1	12.3	1.00	4.1	03-12-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	11.88	10.13	11.00	-.63	-5.38	14.50	8.69	-.60	.57	-.66	-3.48	.48	1.3 N	31.7	32.0	2.0	20.4	.14	1.3	03-19-84	270.3	5.5	2.0	2.17	2.23	0183
Genovese Drug	GDX	14.13	11.88	12.75	-1.38	-9.73	20.50	6.88	-.74	-.64	-.39	-.61	.67	2.6 N	45.6	32.0	1.6	15.4	.20	1.6	12-28-83	158.7	2.6	1.7	1.90	4.95	0183
Hook Drugs	HOOK	27.50	25.25	25.25	-2.25	-8.18	29.75	16.84	-.12	-1.27	5.08	18.91	1.52	.73 N	55.7	10.0	2.3	12.4	1.00	4.0	01-09-84	285.2	6.6	1.7	2.86	9.37	1282
Longs Drg Strs	LDG	47.88	41.00	41.00	-5.75	-12.30	50.13	37.50	-.15	-1.34	.88	29.63	2.92	4.6 N	16.3	10.0	2.8	12.5	1.12	2.7	11-22-83	1123.2	30.9	1.8	.00	18.76	0183
Pay N Save	PAYN	22.00	18.63	19.50	-.75	-3.70	28.75	16.94	-.86	-.33	3.30	3.38	1.52	8.9 N	69.5	4.0	1.6	9.0	.56	2.9	11-17-83	1043.2	16.8	2.3	17.01	14.32	0183
Pay Less NW	PAY	16.88	14.50	14.88	-1.63	-9.85	20.19	13.19	-.28	-.62	1.69	54.98	1.07	.21 N	21.2	0	2.5	12.4	.27	1.8	03-19-84	784.7	19.4	2.0	5.26	6.07	0180
Peoples Drug	PDG	25.13	20.25	20.63	-4.38	-17.50	31.75	20.25	-.50	.00	3.01	-33.63	1.79	.40 F	28.7	23.0	1.7	11.5	.28	1.4	02-17-84	791.1	13.7	1.8	4.92	11.56	0983
Perry Drug	PDS	17.88	14.00	14.88	-2.88	-16.20	22.38	9.16	-.39	.62	-4.77	-19.41	1.02	.29 F	39.7	7.0	1.6	14.6	.24	1.6	12-21-83	285.5	4.5	1.9	6.04	6.50	1082
Revco Drug	RDS	33.50	30.00	30.88	-1.88	-5.73	37.50	26.34	-.37	-.03	1.83	-27.06	2.13	.53 S	29.9	24.0	3.7	13.4	.68	2.2	11-18-83	1792.8	66.5	2.5	1.33	11.59	0683
Rite Aid Corp	RAD	19.38	17.88	18.25	.13	.69	23.44	15.63	-.29	.26	.53	26.29	1.19	.61 N	83.5	26.0	3.9	13.6	.40	2.2	01-30-84	1294.7	49.9	1.7	.59	6.19	0283
Thrifty Cp	TFD	15.50	13.00	14.25	-1.25	-8.06	25.25	10.38	-.94	1.74	2.10	1.54	1.13	.21 F	22.8	18.0	1.9	12.6	.52	3.6	02-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	36.25	33.13	33.38	-2.38	-6.64	40.38	26.50	-.14	-.12	-2.24	-33.62	2.24	.46 Q	24.4	34.0	2.9	14.3	.72	2.2	02-10-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Brunswig	BBCA	24.13	21.00	22.25	-.75	-3.26	39.50	21.00	-.38	.11	.84	5.08	1.60	.24 Q	17.0	40.0	1.4	13.5	.32	1.4	01-26-84	1452.0	20.0	1.6	1.22	9.99	0883
McKesson Cp	MCK	41.38	38.50	38.50	-2.25	-5.52	51.00	37.50	.09	-.45	-1.14	-9.05	3.44	.38 N	11.7	5.0	1.6	10.7	2.40	6.2	02-24-84	4053.7	63.2	1.6	15.78	29.70	0383
Foxmeyer Cp	FOXM	25.25	22.25	22.75	-2.25	-9.00	28.50	22.25	-.20	.12	-2.40	-39.00	.94	1.43 N	NC	103.0	.7	15.9	.00	0	00-00-00	351.1	2.3	2.2	15.38	3.87	0383
Ketchum	KCH	18.88	14.25	14.38	-4.50	-23.84	21.00	10.09	-.26	-1.75	-.98	-20.78	.89	.49 S	106.5	112.0	.4	15.1	.00	0	09-26-83	211.4	.9	1.5	5.87	5.68	0483
Owens & Minor	OBOD	15.25	13.25	13.25	-1.50	-10.17	19.25	12.75	-.22	-.55	.15	18.75	.77	.18 N	16.3	5.0	.7	10.4	.32	2.4	12-09-83	211.4	1.5	2.8	10.55	9.76	1282
Spectro Indus	SPO	20.50	17.00	17.38	-3.13	-15.24	28.75	17.00	-.18	-.85	1.15	.72	1.35	.31 N	25.0	48.0	1.6	11.2	.14	.8	12-29-83	339.1	5.4	1.7	2.86	7.24	0380
Manufacturer's transactions																											
Abbott Labs	ABT	46.25	43.25	44.50	.63	1.42	53.38	38.13	.04	.52	.69	-3.20	2.86	.49 F	20.6	28.0	11.9	15.6	1.00	2.2	01-09-84	2927.9	347.6	1.3	1.56	10.74	1282
Am Home Prod	AHP	54.75	48.75	49.13	-2.38	-4.61	54.75	42.88	.33	-.58	.36	-9.81	4.00	.41 F	11.4	17.0	12.9	12.3	2.64	5.4	02-06-84	4856.5	627.2	2.7	.00	11.83	1282
Baxter Travenol	BAX	22.25	19.25	19.88	-1.13	-5.36	31.31	19.25	-.36	-.34	-1.22	-32.89	1.45	.23 F	18.8	28.0	11.8	13.7	.28	1.4	11-18-83	1842.5	218.1	2.0	1.18	7.52	1282
Block Drugs Co	BLOCA	28.25	27.75	28.25	.50	1.80	34.47	21.38	.39	.91	.18	-25.00	2.85	.47 N	17.6	14.0	9.7	9.0	1.00	3.5	02-24-84	219.0	21.3	2.5	2.35	17.84	0383
Bristol-Myers	BMY	46.13	43.13	43.25	-.50	-1.14	47.88	32.56	.26	.03	.06	1.43	3.00	.41 F	15.8	19.0	10.4	14.4	1.20	2.8	12-30-83	3917.0	408.0	2.3	.84	12.68	1282
Carter-Wallace	CAR	25.75	23.88	24.88	.38	1.53	29.00	18.00	.94	.73	-1.69	7.90	2.12	.31 N	15.5	35.0	5.7	10.8	.48	1.9	02-06-84	289.9	16.5	2.6	1.57	20.15	0383
Cooper Labs	COO	13.75	10.50	11.00	-2.75	-20.00	13.75	10.38	.46	-1.18	.90	5.61	NA	NA	NA	NA	NA	NA	.00	0	00-00-00	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	29.00	19.00	19.25	-9.63	-33.33	40.75	19.00	-.96	-5.20	2.53	22.22	.48	-.02 N	-3.5	57.0	13.4	35.6	.00	0	01-14-83	18.6	2.5	3.7	.37	3.03	0383
ICN Pharm	ICN	7.00	5.63	5.88	-1.25	-17.54	15.25	5.63	-.33	-3.47	1.64	17.27	.42	-.11 N	-27.5	38.0	7.8	20.3	.00	0	00-00-00	38.7	3.0	1.8	.65	3.81	1182
Key Pharm	KPH	18.13	14.00	16.25	-1.75	-9.72	25.94	13.59	-.76	4.26	1.27	-30.97	.34	.15 N	51.7	80.0	14.9	36.9	.13	.8	11-04-83	82.3	12.3	1.6	.03	1.14	1282
Lilly Eli Co	LLY	63.00	60.38	62.25	.25	.40	68.38	56.75	.38	.88	.67	25.25	5.42	.62 N	11.8	13.0	13.9	10.6	2.90	4.7	02-08-84	2962.7	411.8	1.9	.65	27.10	1282
Lee Pharm	LPH	2.75	2.50	2.63	.25	10.53	4.38	2.00	.32	1.39	-.13	-1.06	-.49	.51 Q	NE	-57.0	-14.3	NE	.00	0	00-00-00	7.0	-1.0	1.9	.46	1.98	0982
Marion Labs	MKC	34.50	29.13	29.63	-4.88	-14.13	48.00	24.13	-.83	-.55	5.92	1.75	.78	.43 S	72.8	15.0	8.2	29.0	.40	1.4	12-14-83	181.2	14.8	2.5	.05	5.93	0683
Merck & Co	MRK	92.25	87.50	88.50	-1.50	-1.67	104.63	81.75	.22	-.18	-1.76	-5.02	6.10	.49 F	8.7	7.0	13.9	14.5	3.00	3.4	11-29-83	3246.1	450.9	2.1	4.56	29.81	1282
Morton Thiokol	MTI	80.00	70.63	71.50	-8.38	-10.49	83.38	55.75	-.16	.63	-.51	26.81	5.15	1.09 S	23.1	17.0	5.2	12.3	1.76	2.5	02-23-84	1509.2	78.5	1.4	8.90	32.79	0683
Newport Ph	NWPH	6.25	5.25	5.25	-.88	-14.29	11.38	5.25	-.50	-2.66	.65	40.40	-.03	.00 S	NE	19.0	-3.4	NE	.00	0	00-00-00	8.8	-.3	3.7	.24	1.12	0483
Pfizer Inc	PFE	39.13	35.13	37.25	1.50	4.20	44.75	33.63	.28	.67	.03	-6.58	2.73	.62 F	29.3	17.0	11.9	13.6	1.32	3.5	01-26-84	3750.0	447.1	2.0	3.37	12.82	1282
Reid Prov Labs	REID	3.25	3.00	3.00	-.50	-14.29	6.09	1.84	-.33	-1.92	1.96	26.98	.10	.06 S	85.7	64.0	6.1	23.1	.05	1.7	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	19.38	18.00	18.13	-.88	-4.61	29.38	17.13	-.74	-.35	2.40	27.55	2.40	.42 F	21.2	20.0	10.3	7.6	.68	3.8	02-03-84	563.5	58.2	4.0	1.50	13.29	1282
Rorer Group	ROR	29.00	25.25	26.00	-3.00	-10.34	34.25	23.38	-.44	.59	1.86	-19.46	1.82	.15 N	8.3	12.0	9.0	13.4	1.08	4.2	02-06-84	402.4	36.3	2.1	1.13	9.54	1282
Scherer RP Co	SCHC	15.63	12.25	12.88	-2.63	-16.94	29.63	12.25	-.71	-1.07	2.56	36.24	1.13	-.25 S	-23.5	4.0	5.2	15.9	.32	2.5	12-07-83	169.7	8.8	2.5	4.57	10.88	0383
Searle, GD	SRL	46.00	42.88	45.00	-.25	-.55	55.88	34.75	.39	.36	-2.50	-20.43	2.39	-.17 F	-6.6	14.0	11.6	18.8	.52	1.2	02-06-84	946.0	110.0	2.2	4.10	13.32	1282
Squibb Corp	SQB	49.75	45.50	45.75	-1.63	-3.43	55.63	38.25	.46	-.88	-1.45	6.79	3.01	1.69 N	111.9	2.0	9.2	14.3	1.44	3.1	02-10-84	1660.8	153.6	2.3	6.54	21.29	1282
Sterling Drug	STY	26.75	24.50	24.50	-1.50	-5.77	29.63	23.63	-.17	-.37	1.43	-12.78	2.17	-.01 N	-.4	9.0	7.3	11.2	1.12	4.6	02-09-84	1796.2	132.0	2.8	1.19	14.16	1282
Syntex Corp	SYN	48.00	45.38	46.38	-1.63	-3.39	62.50	45.38	-.36	-.08	.05	-14.38	4.30	.51 Q	12.9	40.0	17.2	10.4	1.60	3.5	02-06-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	18.25	13.25	14.13	-3.63	-20.42	26.00	12.75	-.35	-3.44	1.00	50.77	1.16	.48 N	43.2	69.0	12.7	8.9	.40	2.8	12-23-83	91.0	11.6	4.5	.00	4.53	1182
Upjohn Co	UPJ	59.75	55.75	57.38	.88	1.55	68.75	50.63	.05	-.35	-1.84	-17.47	4.18	.10 N	2.0	5.0	6.9	11.5	2.56	4.5	01-03-84	1828.7	126.0	2.0	15.26	32.19	1282
Warner-Lambrt	WLA	32.63	29.88	30.25	-1.00	-3.20	35.00	26.38	.32	-.58	-.32	-9.04	2.51	.46 F	22.4	-2.0	6.5	12.1	1.48	4.9	02-06-84	3108.3	200.5	2.1	8.51	17.28	1282

KEY: NA — Not Applicable NC — Not Calculable NE — Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year

* — Other than a quarterly multiple resulting from a fiscal year change.

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA

PHARMACY

Retailers await triphasic birth control pill debut

NEW YORK—As manufacturers search for strategies to increase their shares of the oral contraceptive market, retailers await a new triphasic formula about to be launched.

One strategy employed by industry involves development of new formulations which quickly penetrate the list of leading brands dispensed by drug stores. These products, which weren't even on the market a few short years ago, have added share points to marketers' totals.

For example, Ortho's overall market share gained five points over August 1980 on the strength of Ortho Novum 1/35 and 10/11. At the same time, Nordette paced Wyeth gains and Norinyl 1/35 added extra points to Syntex script totals.

According to Decision Data, the Texas-based market research supplier, two firms—Wyeth and Ortho—dominate the oral contraceptive market with combined shares of 68%.

Retailers and wholesalers meanwhile are gearing up for the next generation of newly formulated birth control pills. *DrSN* has learned that Ortho is prebooking orders for Ortho Novum 777, a triphasic birth control pill soon to be released.

Originally set for a Jan. 20 launch, the product ran into labeling problems at F.D.A. and was put on hold until corrections were made. The new launch date is slated for sometime in March.

Ortho Novum 777 will be available in units of six, with each pack holding 21 or 28 tablets at an estimated AWP of $55.89 and $56.37, respectively. The white, light peach and peach-colored tablets to be taken over successive seven-day periods contain various combinations of norethindrone (either 0.5mg, 0.75mg or 1mg) and ethinyl estradiol (0.035mg).

Two years ago Ortho launched Ortho Novum 10/11, the first biphasic birth control pill in the United States.

The triphasic is said to work in a similar way to the biphasic product. Low doses of progestin are provided in the beginning of a woman's cycle with larger doses later in the cycle. This mimics more closely the normal hormone pattern during a woman's follicular (phase 1) and luteal (phase 2) patterns.

For the past two decades, traditional oral contraceptives have been based on a one phase fixed dose/formulation concept. But that situation changed when Ortho Novum 10/11 was launched in April 1982, a brand now listed among the top six.

Other facts gathered by Decision Data indicate that

- The retail price of leading birth control pills nearly doubled, going from $6.59 per unit in August 1979 to $11.37 in September 1983.
- Percentage of refills continues its upward trend and now averages 76% of all birth control scripts.
- Other participants in this market—Searle, Syntex and Parke-Davis—have watched their market shares erode.

As new formulations and packaging continue to dominate changes and additions to this market, retailers will continue to observe subtle shifts in market share among manufacturers. To date this shift has favored an aggressive marketing stance, a trend which will continue with the launch of triphasic birth control pills.

New formulations strengthen birth control pill market

Drug Description	Manufacturer	% Retail market share Rxs 8/80	% Retail market share Rxs 9/83	% Refills 9/83	Average price 8/80	Average price 9/83	% Retail margin* 8/80	% Retail margin* 9/83
Lo/Ovral	Wyeth	14.8	16.4	76	$8.41	$10.83	2.8	4.5
Ortho Novum 1/50	Ortho	16.0	13.1	76	8.17	11.41	13.5	7.5
Ortho Novum 1/35	Ortho	4.1	12.5	73	7.95	11.40	13.3	8.0
Ovral	Wyeth	14.7	9.9	78	8.58	11.25	3.4	5.0
Ortho Novum 10/11	Ortho	N.A.	6.4	72	N.A.	11.07	N.A.	6.5
Demulen	Searle	7.8	4.8	78	9.36	13.14	2.2	5.0
Norinyl 1/50	Syntex	6.7	4.5	78	8.41	11.30	16.7	7.5
Nordette	Wyeth	N.A.	4.1	71	N.A.	11.23	N.A.	4.0
Ortho Novum 1/80	Ortho	6.1	3.3	77	7.89	11.30	11.5	5.0
Norinyl 1/35	Syntex	N.A.	2.6	72	N.A.	11.26	N.A.	8.0
Ovulen 1mg	Searle	7.3	2.5	82	9.28	13.63	1.5	0.0
Modicon	Ortho	5.1	2.3	76	8.50	11.60	13.7	7.5
Loestrin Fe 1.5/30	Parke Davis	0.9	1.4	76	8.52	11.14	3.4	9.0
Loestrin 1.5/30—2	Parke Davis	1.3	1.2	76	8.97	11.51	5.4	8.0
Top 14 Brands		92.0	86.0	76	8.40	11.37	8.0	5.0
All Others		8.0	14.0	77	9.19	12.93	11.5	14.0
Total		100.0	100.0	76	8.50	11.57	8.0	6.0

*Note margin is derived by substituting average wholesale price for retailers' costs.

Source: Decision Data

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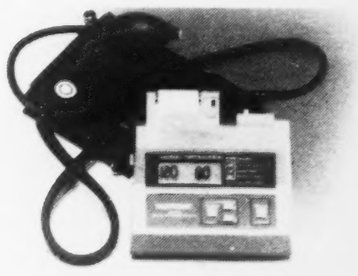
Drug Retailers Discovering Profit Opportunities In Digital Blood Pressure.

After several years of spadework, drug retailers, both chains and independents, are discovering sales and profit opportunities in digital blood pressure units for the home. While most all chains and independents have carried manual blood pressure kits (aneroids with stethoscopes) and many carried analog electronic (no steth required), very few carried digital units, which retailed at $100 and over.



Recently, several companies have brought out digitals to retail at $69. And the onslaught of sales calls, coupled with consumer advertising, has encouraged many drug outlets to handle digitals.

First returns are extremely positive. Drug outlets are finding out what some other retailers have known for a long time, that digitals are big sellers and big profit-makers. Many chains are reporting that digitals are selling very well; independents are saying the same. Dollars of sales are reaching exciting new levels.

At the same time that the digitals hit at $69 retail, several companies introduced high end digitals with meaningful features: units with tape readouts, with automatic inflation (no more bulb) and with both features combined. Currently, these are retailing at $150 to $250. And units with "above systolic" signals, and "beeping-while-taking" have been around at $100. It's too early to tell how they're doing in the drug industry, only a few are yet handling them, but these feature-loaded units are selling very strongly in mail order catalog and discount store operations. Much stronger than ever expected.

The prognosis is they will be big sellers in drug outlets: (1) because people with hypertension trade themselves up to the better units; and (2) because blood pressure monitors are normally and naturally thought to be available in drugstores.

We think smart merchants are into digitals, or are about to go into them. And we think the smartest merchants are into trade-up digitals.

Prepared as a service to the industry by The Lumiscope Company, 375 Raritan Center Parkway, Edison, New Jersey 08837.

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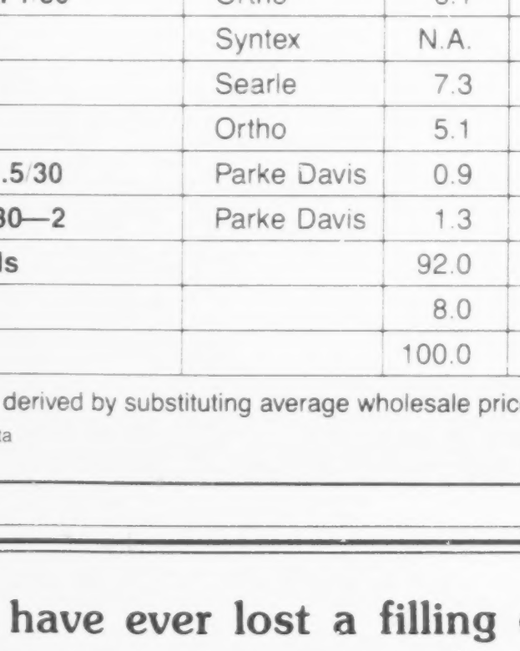

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Pay 'n Save reorganizes

SEATTLE—With the resignation of Ralph Heilman at Pay 'n Save, the office of director of professional services has been abolished and pharmacy/optical has been reorganized.

Under the new setup, Dan Connolly, a 17-year Pay 'n Save veteran, has been promoted to pharmacy/optical coordinator.

Reporting to Connolly are pharmacy supervisors (Pay 'n Save calls them lead pharmacists), who are each responsible for groups of 10 or 11 stores. Also reporting to Connolly is Julie Clayton, optical center supervisor.

In turn, Dan Connolly reports to Jim Agopsowicz, director of pharmacy and OTC, who reports to Stan Johnson, Northwest regional manager. There are 88 Pay 'n Save stores in the Northwest region which includes California, Washington, Montana, Wyoming and Idaho.

Dave Palmer, long-time pharmacy supervisor, is now on special assignment on Pay 'n Save's front-end scanning program.

MERCHANDISER

Rxmen can clear up allergy confusion

By Jim Ricchiuti

Despite the fact that more than 36 million Americans suffer from allergies, many consumers still have difficulty distinguishing between a cold remedy and an allergy relief product.

Consumers aren't the only ones confused. Buyers at drug chains say that while they do their best to separate allergy products from cough/cold items, there is still a great deal of cross-over in the category. Even the 30% to 40% margins typical of allergy products resemble those generated by OTC cold products.

The reason that cough/cold remedies and allergy products are so closely associated is because cold symptoms are often nearly identical to those experienced by allergy sufferers. The most common complaints of cold and allergy sufferers include runny nose, eye and nose itchiness, coughing, sneezing, sore throats, swollen sinuses and constricted breathing.

The fact that cold and allergy sufferers share many of the same symptoms has led many manufacturers to market products that claim to be effective for both colds and allergies. The principal ingredient of many allergy products, antihistamines, is frequently found in many of the cold relief products. Indeed, the packaging and advertising strategies drawn for these products are directed at both groups.

This has left the drug retailers with two choices. Chains may either merchandise both products in the same manner and let consumers make the ultimate decision or they may take the initiative to inform the consumer through shelf talkers and more importantly through pharmacist referrals

With many of the leading cold remedies containing antihistamines, consumers are frequently hard pressed to tell the difference between an allergy prep and a cold remedy.

about the products that would be most effective in treating their allergy symptoms.

Michael Whitfield, buyer for Hook Drugs in Indianapolis, says that while cough/cold products and allergy preps contain many of the same ingredients, "there are actually two different user groups."

At Hooks, Whitfield said if store pharmacists see the same customer repeatedly purchasing cold remedies, they will discuss the symptoms with the person. He said that frequently the pharmacist will determine that the customer needs an allergy product instead.

"The pharmacists are our trump card against discounters and groceries," agrees Dennis Osborne, buyer at Begley Drugs in Richmond, Ky. "Allergy products are one item that I feel drug stores do better with than discount stores or groceries because of pharmacy referrals. Customers come in and if they are not quite sure what kind of allergy product they need they will ask for recommendations."

Generally, drug stores have been insulated from the competitive onslaught of supermarkets and discount stores in the allergy department. Figures compiled by A. C. Nielsen Co. indicate that the cold tablets/allergy products categories are still dominated by drug stores. In 1982 drug stores accounted for approximately 52% of the market. During 1982 food and drug stores generated dollar sales increases of 16% and 15%, respectively.

Drug stores have been less vulnerable to losing market share in the allergy products category because they almost always carry a much greater assortment than do supermarkets or discount stores.

One buyer for a major Midwestern drug chain noted, "There is still a feeling among consumers that drug stores have a much broader selection of allergy preps." He added that because allergy products traditionally don't turn as fast as some products in the cough cold category, other retailers such as supermarkets don't promote them as aggressively. Allergy products traditionally turn six to eight times annually.

In addition, chains have been aided by manufacturers' advertising tag lines such as "Recommended By Most Pharmacists" and "Available At Most Drug Stores."

Altough both manufacturers and drug chains advertise allergy products throughout the year, the peak allergy season generally begins in the spring and continues through the fall. Of the estimated 36 million Americans with allergy problems, approximately 15

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Though sports medicine manufacturers say that the target user group is still the young and active, growing numbers of middle-aged people are participating in sports and physical recreational activities.

Burgeoning sports medicine category lacks dept. identity

With the number of Americans taking part in some form of exercise on a regular basis estimated to be more than 100 million, medical authorities are reporting an increasing number of sports-related injuries.

The growth of injuries stemming from the population's penchant for staying in shape is opening a significant market for sports medicine-related products.

A recent study by the Consumer Products Safety Commission revealed that more than 11 million Americans are injuring themselves each year in sports-related activities. The injury rate also is said to be growing by 8% a year.

But while the market for sports medicine products continues to increase each year, drug chains are still having difficulty defining items that can be placed in the sports medicine category. And once identified, a number of drug retailers have been reluctant to merchandise these products under the sports medicine banner.

Despite carrying profit margins of 45% or more, drug chains have been less than enthusiastic in embracing sports medicine departments. While most buyers today recognize that there is a market for sports medicine, many drug retailers remain divided as to its potential size and as to whether or not sports medicine should be considered a separate department outside of first aid, foot care, or in some cases, sporting goods departments.

Other opponents of sports medicine departments point out that since drug stores already stock many of the products that can be considered part of the sports medicine category, cross merchandising these items in a separate department would be unproductive.

"Sports medicine is a handle," says John Rudden, a buyer at Peoples Drug Stores. "It is something that you can promote on a periodic or seasonal basis with an off-shelf display."

But Rudden is convinced that sports medicine is not a permanent department 365 days of the year. No retailer can justify the inventory investment required to merchandise a product such as an Athlete's Foot spray in two separate areas of the store on an every-day basis, says Rudden.

At Peoples, sports medicine is promoted several times during the year, usually during the spring and summer months.

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